

BRIEFING PAPER

SUBJECT: School Funding Reform
DATE: 25th April 2012
RECIPIENT: Schools Forum

THIS IS NOT A DECISION PAPER

SUMMARY:

1. The Department for Education (DfE) has issued further information on their plans for a reformed funding system from April 2013 leading to a national funding formula in the next Spending Review period (starting 2015-16).

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsreviewenuefunding/a00205567/school-funding-reform-and-arrangements-for-2013-14>

BACKGROUND and BRIEFING DETAILS:

2. Allowable factors

The number of factors that authorities can use in their funding formula will be reduced from 37 to 9:

- a. A basic per-pupil entitlement – there will be a single unit for primary aged pupils and either a single unit for secondary pupils or a single unit for each of key stage 3 and key stage 4, so authorities may wish to plan for both scenarios.
 - b. Deprivation, measured by Free School Meals (FSM) and/or IDACI
 - c. Looked after children
 - d. Prior attainment as a proxy measure for SEN
 - e. English as an additional language, for a maximum of 3 years after the pupil enters the school system
 - f. A standard lump sum for each school, with an upper limit between £100,000 and £150,000 (SCC - £88,554 Primary and £189,297 Secondary)
 - g. Split sites
 - h. Rates, which may be at actual cost
 - i. Private finance initiative (PFI) contracts
3. Appendix 1 shows Southampton's 2012-13 formula (which currently has 21 factors) indicating which factors are allowable under the proposals and giving an indication of how the funding could be allocated under the new allowable factors. Appendix 2 gives more information on the proposed allocation of the current grants factor.
 4. October pupil count

To enable earlier budget setting, the notional Schools Block will be calculated using pupil numbers from the October School Census (so for 2013-14, pupil numbers from the October 2012 School Census). In order to ensure that all schools are funded on the same data point, the change would also apply to the setting of maintained school and Academy budgets. Using data from the October Census rather than the January Census for the notional Schools Block will allow the DSG to be confirmed in December, enabling maintained school and Academy budgets to be notified by 31 March, or earlier.

5. School census day is 4th October 2012. Primary/infant schools need to be aware of the importance of this date. It is not clear from the guidance:
- How part-time pupils are counted for funding purposes? Parents have a right to request part time education for their child until they are of statutory school age.
 - How deferred pupils are dealt with for funding purposes? Parents have a right to defer entry until their child is of statutory school age and the place must be held open for them.

6. School level data

The DfE will be issuing school level data at the end of April to allow authorities to begin modelling the new approach locally. This includes:

- Deprivation – IDACI scores and FSM numbers.
- English as an Additional Language – pupils who have been in the system for up to three years
- Low cost, high incidence SEN - For primary schools, funding can be targeted at pupils who achieve fewer than 78 points on the current EYFSP and are therefore not considered to be developing well. For secondary schools, funding can be targeted at pupils who achieve a Level 3 or below in English and mathematics. The data will be based on the latest EYFSP and KS2 assessments.

7. IDACI banding system

Ideally, local authorities should have a simple calculation which awarded each deprived pupil a single rate of funding – regardless of whether they attend a primary or secondary school. Authorities may wish to target deprivation funding based on how deprived the pupil is. A child with an IDACI score of 0.2 has a 20% chance of coming from a deprived family. Similarly, a child with a score of 0.8 has an 80% chance of coming from a deprived family. It therefore makes sense that some local authorities may wish to target more funding at the pupil with a score of 0.8 compared with a pupil with a score of 0.2 as suggested in the table below:

Band	IDACI score lower limit	IDACI score upper limit	Unit value
1	0.2	0.25	£500
2	0.25	0.3	£500
3	0.3	0.4	£750
4	0.4	0.5	£1,000
5	0.5	1	£1,250

8. Other factors

There will be a process for authorities to request additional factors for exceptional circumstances connected with premises, but the scope of this will be very restricted.

9. Primary Review

In the reformed system, additional funding for expanding schools will not form part of the formula because these situations are infrequent and best calculated on a case by case basis. Instead, funding can be held within contingencies for maintained schools.

10. New delegation

Several budget items which can currently be retained centrally will have to be delegated through the formula from 2013-14:

- Support for schools in financial difficulties (ISB contingency - £120,000)
- Allocation of contingencies (Intervention Fund - £250,000)
- Liability insurances (£242,300)
- Staff costs - supply cover for trade union and public duties (£58,000)
- Support for minority ethnic pupils or underachieving groups (Bilingual Assistants - £67,300)

11. For each of these, it would be for Schools Forum members in the relevant phase (primary or secondary), to decide whether that service should be retained centrally. The decision would apply to all maintained schools in that phase and would mean that the funding for these services was removed from the formula before school budgets were issued.

12. Minimum Funding Guarantee and limits to gains

The Minimum Funding Guarantee (MFG) will continue to be set at minus 1.5% per pupil in 2013-14 and 2014-15. The calculation will be simplified however.

13. As there could be significant amounts of protection required in some areas as a result of the formula simplification, the DfE will be allowing overall gains for individual schools to be capped or scaled back to make it easier to run the formula. Authorities and their Forums will therefore need, as part of their formula modelling, to determine whether and how to limit gains.

14. Special schools and special units

Funding for Special schools and special units will form part of the High Needs Block. Schools will receive £10,000 per place, plus top up funding for each pupil they have, from the commissioner, to make up the rest of their budget (using a banded funding framework).

15. Authorities should look at the 2012-13 budgets of their maintained special schools, special units and specially resourced provision, rework them as £10,000 base funding plus top-up funding so as to determine required top-up levels for each type of place, and discuss them with the providers. While there will not be a MFG as such for special schools and units, there will be a requirement that top-ups are set at such a level that, if all the places were filled and the pupils came from the maintaining authority, the school's budget would reduce by no more than 1.5% in cash.

16. Alternative Provision (AP)

Each agreed place will attract a base level of funding of £8,000. Pupil referral units (PRUs) will be receiving delegated budgets for the first time in 2013-14. The level of budget they will need will include all services delegated to other schools; the services will include finance, payroll, HR and ICT. Authorities will, therefore, need to identify the funding needed for PRUs to operate delegated budgets in 2013-14 then rework them as £8,000 base funding per place plus per-pupil top-up funding (using banded funding framework) so as to determine appropriate top-up levels in consultation with the PRUs.

17. Early Years

No changes suggested that will affect Southampton's EYSFF.

18. Changes to Schools Forums

The following changes are proposed to come into effect by September 2012:

- Authorities should ensure that the composition of their Forum is compliant with the regulations and reflects the pupil numbers expected to be in each category at 1 September 2012. Any required elections should take place before the end of the summer term.
 - Remove the requirement to have a minimum of 15 people on a Forum;
 - Restrict other local authority attendees from participating in meetings unless they are a Lead Member, DCS, DCS representative or are providing specific financial or technical advice (including presenting a paper to the Forum);
 - Restrict the voting arrangements by allowing only schools members and the PVI members to vote on the funding formulae;
 - Give the Education Funding Agency (EFA) observer status at School Forum meetings to support the local process and to provide a national perspective if members thought it helpful or if there were any concerns about the running of the Forum.
 - Require local authorities to publish Forum papers, minutes and decisions promptly in a public area of their websites; and,
 - Require Forums to hold public meetings
 - Any regular communications from the authority to schools should also draw attention to forthcoming schools forum meetings and agendas, and the minutes of forum discussions.
19. Each group of schools forum members should ensure that they communicate with the people or organisations they represent at least before debating major issues and again afterwards.
20. Appendix 4 gives an analysis of the current Forum composition in comparison to how this will look after 2012-13 proposed Academy conversions.

21. Consulting on the new formula

All maintained schools and Academies should be consulted on formula changes (and all early years providers as well in relation to the Early Years Single Funding Formula), and any consultation should include a demonstration of the effect of modelling such changes (including and excluding the MFG) on individual maintained schools, Academies and early years providers.

22. Other implications

There will be implications on the following charging mechanisms that are currently based on the existing Fair Funding Formula:

- Some Service Level Agreements
- PFI charges

Appendix 1

Southampton 2012-13 Funding Formula

Factor	Allowable	Primary		Secondary		Proposed new factor
<u>AWPU</u>						
Per Pupil Funding	Yes	£37,192,972	56.9%	£31,982,901	57.1%	Per pupil
<u>Infant Class Size Funding</u>	No	£40,786	0.1%	£0	0.0%	Per pupil
<u>Special Educational Needs</u>						
SEN - Learning and Social Need	Yes	£4,072,931	6.2%	£2,869,402	5.1%	Prior Attainment/IDACI
Special Units Funding	High Needs Block	£315,891	0.5%	£116,855	0.2%	
<u>Social Deprivation</u>						
IDAC Index	Yes	£2,826,525	4.3%	£2,226,483	4.0%	IDACI
Minority Ethnic - EAL	Yes	£258,600	0.4%	£345,228	0.6%	EAL
Minority Ethnic Achievement	No	£125,944	0.2%	£63,377	0.1%	EAL
Uniform Grant	Yes	£50,301	0.1%	£27,379	0.0%	FSM
<u>Site specific</u>						
Floor Area	No	£1,214,000	1.9%	£910,111	1.6%	Per Pupil
Excess Floor Area	No	£1,197,452	1.8%	£563,320	1.0%	Per Pupil
Swimming Pool Area	No	£16,047	0.0%	£19,772	0.0%	Per Pupil
Additional allocation for split site	Yes	£28,452	0.0%	£0	0.0%	Split site
<u>School specific</u>						
Basic allocation per school	Yes	£5,401,778	8.3%	£2,186,738	3.9%	Lump sum
Small school factors	No	£14,052	0.0%	£268,021	0.5%	Per Pupil
Additional allocation for rates	Yes	£810,591	1.2%	£782,778	1.4%	Rates at cost
Rent agreements	No	£9,070	0.0%	£36,900	0.1%	Per Pupil
Other travel	No	£57,002	0.1%	£33,462	0.1%	Per Pupil
Building insurance	No	£143,482	0.2%	£124,002	0.2%	Per Pupil
School meals	No	£1,681,404	2.6%	£568,716	1.0%	IDACI
Upper Pay Scale teachers	No	£1,240,271	1.9%	£1,591,242	2.8%	Per Pupil
Grants	No	£8,158,104	12.5%	£9,407,871	16.8%	See Appendix 2
<u>Sixth form funding</u>						
EFA Allocation	Yes	£0	0.0%	£879,323	1.6%	
<u>Budget share adjustments</u>						
Real Term Protection	No	£19,669	0.0%	£915,353	1.6%	Per Pupil
<u>MFG top up</u>	Yes	£468,613	0.7%	£77,683	0.1%	
TOTAL		£65,343,938		£55,996,916		

Appendix 2

Proposed allocation of grants factor

Grant	2011/12 Amount £	Proposed new factor
School Standards Grant	3,450,046 1,021,000	Per pupil Lump sum
Schools Standards Grant (Personalisation)	235,644 729,738 822,439	Per pupil FSM Prior attainment
School Development Grant : Main Post-LIG Deprivation Excellence in Cities & Enterprise Learning	2,421,194 497,853 3,000,000	Per pupil FSM FSM
Specialist Schools	1,613,220	Secondary per pupil
School Lunch Grant	210,858 112,332	Per pupil FSM
Ethnic Minority Achievement (EMAG)	442,220 189,523	EAL Prior attainment
1-2-1 Tuition	872,348	Prior attainment
Targeted Support for the Primary National Strategy	264,364	Primary per pupil
Targeted Support for the Secondary National Strategy	484,499	Secondary prior attainment
Extended Schools	713,980 713,980	Per pupil FSM
Exceptional Circumstances Grant	236,000	EAL
Total grants	£18,031,238	

Liability Insurance

The reference to 'Liability Insurances' includes the following types of cover:

- Employers Liability
- Public Liability
- Officials' Indemnity
- Libel and Slander
- Personal Accident
- Fidelity Guarantee

Schools currently benefit from both economies of scale and spread of risk as the cover forms part of the councils wider corporate insurance portfolio. This enables a significant limit of indemnity (£50m) to be provided;

The liability cover is provided on a 'ground up' basis – i.e. there is no policy excess that the school is required to meet in the event of a claim;

The insurance cost includes the provision of a claims handling service in respect of claims for compensation made against the school by third parties or employees relating to loss, injury or damage;

The claims handling service is administered by SCC Risk & Insurance Services who co-ordinate and manage the claims investigation process in consultation with insurers;

All claims related correspondence is dealt with by either SCC Risk & Insurance Services or insurers on behalf of the school;

SCC Risk & Insurance Services liaise directly with schools in respect of claims investigation process and, where appropriate, would obtain information direct from other service areas (i.e. Health & Safety, HR etc);

The claims handling service includes the cost of any legal representation i.e. where legal proceedings are issued by a claimant or where counsels opinion is required;

The annual renewal of cover, including periodic market testing of the programme (via a formal competitive tender exercise), is undertaken on your behalf by SCC Risk & Insurance Services in consultation with external advisors (i.e. the council's insurance brokers);

There is benefit in maintaining continuity of cover particularly in respect of liability insurances noting that some 'injuries', that could be the subject of a claim, relate to diseases or conditions that manifest themselves over a significant period of time.

Appendix 4

Schools Forum Membership 2012-13

Sector	Jan 2012 NOR	Current Numbers of Reps	Sep 2012 NOR *	Proposed New Reps	Notes
Primary	15,221	6	15,515	6	
Secondary	8,086	4	4,901	2	
Academy	2,890	1	6,052	3	
Special	323	2	336	2	Assumption that Head & Governor reps remain on Forum
Nursery		1		1	
Non Schools		5		5	
Totals		19		19	Assumption that total remains at 19 Members

* Including future academy conversions